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## BUDGET METHODS IN ILLINOIS

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Although the state of Illinois ranks third in the Union in population, wealth and industrial activity, the expenditures of the state government, until the past few years, have been relatively low, in comparison not only with the financial transactions of the national and municipal governments but also with those of the other large industrial states. But this situation has been rapidly changing during the last decade. The biennial appropriation made by the general assembly, which had been about \$6,000,000 in 1875 and \$10,000,000 in 1895, increased to \$16,000,000 in 1905, to \$20,000,000 in 1907 and 1909, to nearly \$30,000,000 in 1911, to \$38,000,000 in 1913 and to \$46,000,000 in 1915. This increase has been due partly to the expansion of older state activities, such as charitable and educational institutions, and partly to the inauguration of new functions, such as state roads and a great variety of new executive offices, boards and commissions.

As a result of this increase in the amount and importance of state expenditures, attention has been attracted to the methods of authorizing and controlling the state finances, some improvements have been introduced, and proposals have been formulated and presented for a comprehensive budget system. It is the purpose of this paper to discuss the former and existing methods, the recent changes, and the proposed plans, which may aid in the general discussion of budget methods in the United States.

The fundamental requirements of the present system are to be found in the state constitution. The first constitution (of 1818) prohibited expenditures unless authorized by appropriations, and required a report of receipts and expenditures to be published with the session laws. The present constitution (of 1870) contains more detailed provisions which, if carried out fully, would provide more adequate methods than in practice have been followed. The power and responsibility for making appropriations and raising

revenue are vested, as is usual in this country, in the state legislature, subject to various restrictions. But a definite basis for an executive budget exists in the provision that the governor, at the commencement of each session of the general assembly, shall present "estimates of the amount of money required to be raised by taxation for all purposes." Moreover, all state officers and institutions are required to report to the governor before each session of the legislature; and the governor may at any time require information in writing from the officers of the executive department.

No governor appears to have carried out the provision of the constitution as to estimates; and an act of 1913 providing for a compilation of appropriation requests ignores the constitutional provision and places this function on the legislative reference bureau. Before this bureau was established, requests for appropriations were submitted informally by each office, department or board; and separate bills were prepared by the several departments and institutions, and introduced by individual members of the general assembly.

Appropriation bills are referred to a single committee in each house. But these committees are large and unwieldy. In the General Assembly of 1913 the house committee had 44 members (out of 153) and the senate committee had 37 members (out of 51). Sub-committees are appointed to visit the state institutions; and joint hearings of the committees of both houses are held to hear the state officers in reference to the appropriations required.

Except for deficiency and emergency appropriations, the appropriation bills are not reported to either house until nearly the close of the session. At this stage there is no opportunity for adequate discussion; and the committee recommendations are rarely changed. But not infrequently the bills passed by the two houses differ; and in such cases conference committees are appointed, whose reports are accepted as a matter of course.

After passing both houses, appropriation bills go to the governor, who may disapprove any bill or any appropriation item within ten days. A considerable number of appropriations are usually disapproved, and in some cases items are reduced, by the governor, and by this means the total amount is somewhat reduced.

As a result, instead of a carefully prepared budget, there are passed a large number of separate appropriation acts, with an absurd

range of variation in the amounts appropriated and the extent and character of the items. Thus at the session of 1913, there were passed 94 appropriation acts, which cover 1.6 pages in the volume of session laws. One act for the pay of members of the general assembly was for a lump sum of \$2,600,000,—the amounts payable to each person being regulated by statutory provisions. Appropriations for the state university (\$4,500,000) and for the ordinary expenses of the state charitable institutions (\$8,000,000) were made in a few large items. On the other hand, appropriations for buildings and improvements in the charitable institutions were specified in 131 items; appropriations for the five normal schools were in one act, with 33 items; appropriations for the penitentiaries and reformatory were in five separate acts; and the "omnibus bill" for the great number of state offices, boards and commissions was in 96 paragraphs, with more than a thousand items. For one office there were such small items as \$75 a year for rubber stamps, and \$75 a year for twine.<sup>1</sup>

Some improvements in methods have been made in the last few years. The management of the state charitable institutions was centralized, by an act of 1909, under a single state board of administration, one of whose members is fiscal supervisor. This board has presented carefully prepared estimates of the needs of these institutions. The result has been to put an end to the former scramble and rivalry between the several institutions; and the acceptance by the general assembly of the estimates presented by the board.

At the session of 1913 a detailed compilation of the amounts requested by the various state officers, boards and institutions was prepared, after the legislative session had begun, with a comparison of the appropriations made two years before. But this was necessarily prepared in the form presented by each of the state agencies; and while of service to the appropriation committees of that year, was perhaps of more importance in demonstrating the need for more careful preparation of the estimates before the general assembly convened. At any rate, an act of that session establishing a legislative reference bureau imposed on this bureau the unusual duty of

<sup>1</sup> George E. Frazer: *A Report on the Accounts of the State of Illinois*, prepared for the Efficiency and Economy Committee.

receiving, compiling and preparing the requests for appropriations from the several state officers, boards and institutions.

Under this act, the legislative reference bureau prepared and had printed soon after the opening of the session of 1915 a voluminous compilation of appropriation requests, itemized in minute detail under a general scheme of classification. This work seems to have been carefully done and marks an important step towards a budget system. But it must be recognized that this fell far short of an adequate system. Necessarily the new classification made impossible in most cases a detailed comparison with previous appropriations; nor had the bureau been authorized to make an analysis of expenditures under the new classification, as a basis of comparison. To the writer the mass of detailed items has seemed too numerous, and more likely to bewilder than to enlighten the members of the appropriation committees.

But the most serious weakness of this undertaking was the lack of any responsible recommendations for the estimates as a whole. The bureau had no authority to make recommendations; and while it is supposed that the governor exercised some supervision over the requests from departments and institutions under the management of his appointees, the aggregate estimates amounted to more than \$45,000,000,—an increase of twenty per cent over the appropriations of two years before.

Large reductions in these estimates were made by the appropriations committees and confirmed by the general assembly. But these were offset by important additions for purposes not included in the estimates,—notably to pay for cattle destroyed to suppress an epidemic of foot and mouth disease—; and the total appropriations from ordinary revenue, after deducting the items vetoed or reduced by the governor, were \$8,000,000 more than in 1913. An expenditure of \$5,000,000 was also authorized from the proceeds of a bond issue for the construction of a waterway in and along the Illinois river, making a total increase of thirty per cent in authorized expenditure over that made two years before.

Many of the increased appropriations were perhaps justified. But the need for more far-reaching reforms in connection with appropriations can be shown by some of the methods used and some of the appropriations made by this general assembly. The "omnibus bill," appropriating \$15,662,296, was introduced in the house

on June 1, read a second time on June 2, and passed on the 3d. On second reading (the last opportunity for amendment) members complained that printed copies were scarcely obtainable. In the senate, this bill was introduced on June 8 and passed on the 10th.

There were 88 appropriation acts, 6 less than two years before. Many of them were in much greater detail than at previous sessions, and the appropriation acts as a whole cover 232 pages in the session laws, or twice as much as in 1913. The general salary appropriation was itemized; and the appropriations for the normal schools and penitentiaries were made in accordance with the classification in the estimates. But there were, as formerly, too many separate bills, and no approach to a uniform system of classifying items, while the detailed enumeration of petty items was extended.

On August 28, an injunction was issued by the circuit court to restrain the payment of salary items in the omnibus bill amounting to \$262,348, as unconstitutional; and at the same time an act making an appropriation (of \$26,270) to pay railroad fares of members of the general assembly was also held to be unconstitutional. Bills appropriating \$92,601 for the relief of individuals, \$458,802 for deficiencies, and for certain committee expenses, are also being attacked in the courts as in conflict with the state constitution.<sup>2</sup>

The need for a new budget system has been urged and a definite plan has been prepared and was submitted to the general assembly this year by a joint legislative committee established two years before to investigate all departments of the state government and recommend a plan to reorganize and centralize the administrative system with a view to economy and efficiency. This committee made a comprehensive study of the existing state administrative authorities, and proposed a general reorganization into ten executive departments, including a department of finance with provisions for preparing a comprehensive budget.

In its report, the committee called special attention to the absence of any satisfactory budget of estimates as a basis of appropriations, and to the provision of the state constitution requiring the governor to present to the general assembly estimates of the amount required to be raised by taxation:

In the opinion of the committee the constitutional provision . . . . contemplates that the governor shall present to the general assembly a detailed

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<sup>2</sup> See *Report of the Citizens' Association of Chicago*, September 9, 1915.

budget of appropriations recommended by him for the coming biennium, together with an estimate of the revenues of the state from sources other than direct taxation during the biennium, and a statement of the amount to be met by taxation. The careful preparation of such a budget would be a potent factor in securing economy and efficiency throughout the executive departments.<sup>3</sup>

A satisfactory budget statement should include a classified analysis of revenues as well as proposed expenditures, which should be subject to close scrutiny by competent and responsible officials charged with authority in the administration of the state finances, and submitted to the general assembly with the definite recommendations of the governor.<sup>4</sup>

The plan for organizing a department of finance proposed that there should be a state comptroller, appointed by the governor, who should be charged, among other things, with the preparation of a budget of revenues and expenditures for submission to the governor.

In summing up the results to be expected from the plan of administrative reorganization presented, the committee urged that:

The proposed reorganization will also aid in the preparation of a proper budget of estimates as a basis of appropriations. Each department will be able to formulate a careful estimate of needed appropriations, considering the relative demands of its several bureaus and services; and these departmental estimates will be compiled and analyzed for submission to the governor, who will recommend the aggregate budget of items approved by him to the general assembly. This will place on the governor the responsibility for the total amount requested; and the general assembly will hesitate to increase the appropriations recommended by the governor.<sup>5</sup>

Neither the finance bill nor the other bills prepared by the efficiency and economy committee to carry out its plan of administrative reorganization were enacted,—with the exception of a revision of the law relating to printing and other contracts, which should effect a considerable economy. But the recommendations are still before the people of the state; and a prominent candidate for governor at the election in 1916 had definitely announced that he favors and will urge a reorganization of the state administration and the introduction of business methods and a budget system in the state government.

<sup>3</sup>*Report of the Efficiency and Economy Committee, State of Illinois, 1915*, p. 22.

<sup>4</sup>*Ibid.* p. 34.

<sup>5</sup>*Ibid.* p. 75.